

UNITED STATES OF AMERICA
BEFORE FEDERAL TRADE COMMISSION

In the Matter of)	
)	
Service Corporation International,)	
a corporation, and)	Docket No. C-4174
)	File No. 061-0156
Alderwoods Group, Inc.,)	
a corporation)	

**PETITION FOR APPROVAL OF PROPOSED DIVESTITURE
TO C.E.J. MANAGEMENT, INC.**

Pursuant to Section 2.41(f) of the Federal Trade Commission (“Commission”) Rules of Practice and Procedure, 16 C.F.R. § 2.41(f) (2006), and Paragraph II.A. of the Decision and Order issued by the Commission in this matter (“Decision and Order”), Respondent Service Corporation International (“SCI”) hereby petitions the Commission to approve the divestiture to C.E.J. Management, Inc. (“C.E.J.”) of Yuma Mortuary & Crematory, 551 West 16th Street, Yuma, Arizona.

The Divestiture Businesses associated with this facility (as defined in the Decision and Order, and hereinafter collectively referred to as the “C.E.J. Divestiture Assets”) will be sold to C.E.J. pursuant to the Contingent Asset Sale Agreement dated November 13, 2006 (the “Sale Agreement”), by and among C.E.J. and SCI Funeral

Services, Inc., (“FSI”) an affiliate that is owned 100% by SCI.¹ The executed Sale Agreement is attached hereto as Confidential Exhibit A.

Background

On October 13, 2006, SCI and Respondent Alderwoods Group, Inc. (“Alderwoods”) (collectively, the “Respondents”) executed an Agreement Containing Consent Orders that included the Decision and Order and an Order to Hold Separate and Maintain Assets (collectively, the “Consent Agreement”) to settle the Commission’s charges that the proposed acquisition by SCI of Alderwoods would violate Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, and Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18. On November 22, 2006, the Commission accepted the Consent Agreement for public comment, and after the close of the public comment period, the Commission gave final approval to the Consent Agreement and issued the Decision and Order. On November 28, 2006, SCI consummated its acquisition of Alderwoods. Alderwoods is now a wholly owned subsidiary of SCI.

Because this petition, including Confidential Exhibit A, contains confidential and competitively sensitive business information relating to the divestiture of the C.E.J. Divestiture Assets — the disclosure of which may prejudice the Respondents and C.E.J., cause harm to the ongoing competitiveness of the C.E.J. Divestiture Assets, and impair the Respondents’ ability to comply with their obligations under the Consent Agreement — the Respondents have redacted such confidential information from the public version of this

¹ The Sale Agreement was “contingent” because, on the date the Sale Agreement was signed, SCI’s acquisition of Alderwoods had not yet been consummated. A subsidiary of Alderwoods owned and operated the C.E.J. Divestiture Assets. The Sale Agreement was subject to consummation of the SCI-Alderwoods acquisition, and FSI was required to cause the Alderwoods subsidiary that owns the C.E.J. Divestiture Assets to join in the execution of the Sale Agreement within ten days following the consummation date. Now that SCI has completed its acquisition of Alderwoods, the selling entity has joined the transaction, as reflected in Confidential Exhibit A.

petition. Pursuant to Sections 2.41(f)(4) and 4.9(c) of the Commission's Rules of Practice and Procedure, 16 C.F.R. § 2.41(f)(4) & 4.9(c) (2006), the Respondents request that the confidential version of this petition and the information contained herein be accorded confidential treatment under 5 U.S.C. § 552 and Section 4.10(a)(2) of the Commission's Rules of Practice and Procedure, 16 C.F.R. § 4.10(a)(2) (2006). The confidential version of this petition is also exempt from disclosure under Exemptions 4, 7(A), 7(B), and 7(C) of the Freedom of Information Act, 5 U.S.C. §§ 552(b)(4), 552(b)(7)(A), 552(b)(7)(B), & 552(b)(7)(C), and the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, 15 U.S.C. § 18a(h).

SCI desires to complete the proposed divestiture of the C.E.J. Divestiture Assets as soon as possible following Commission approval thereof. All pre-closing conditions other than Commission approval have already been satisfied, so that FSI and C.E.J. are in a position to close the divestiture within a few days of such approval.²

Prompt consummation will further the purposes of the Decision and Order and is in the interests of the public, C.E.J., and the Respondents, because it will allow C.E.J. to move forward with its business plans for the competitive operation of the C.E.J. Divestiture Assets. SCI accordingly requests that the Commission promptly commence the period of public comment pursuant to Section 2.41(f)(2) of the Commission's Rules of Practice and Procedure, 16 C.F.R. § 2.41(f)(2) (2006), limit the public comment period to the customary 30-day period, and grant this petition by approving the divestiture of the

² C.E.J. is responsible for obtaining applicable licensing as required by the State of Arizona to operate the C.E.J. Divestiture Assets, but there is no requirement for state approval of funeral home transfers prior to closing. The Arizona licensing is required to allow C.E.J. to operate the divestiture facility, rather than to allow SCI to transfer the facility to C.E.J., and C.E.J. will be permitted to operate the facility while the licenses are pending. As a result, and consistent with industry practice, C.E.J. expects to submit any required applications in the near future, but it will close the transaction once Commission gives its approval irrespective of whether the licenses have been granted.

C.E.J. Divestiture Assets to C.E.J. pursuant to the Sale Agreement as soon as practicable after the close of the public comment period.

I. The Sale Agreement Is Final and Consistent with the Decision and Order's Terms

Paragraph II.A. of the Decision and Order requires the Respondents to divest the Divestiture Businesses (as defined in the Decision and Order) within 180 days of November 28, 2006, the date on which SCI consummated its acquisition of Alderwoods. Pursuant to this requirement, SCI has diligently sought a buyer that would be acceptable to the Commission through an extensive auction process that produced great interest in the properties. On November 13, 2006, SCI entered into a Sale Agreement that requires SCI to sell the C.E.J. Divestiture Assets to C.E.J., the highest bidder.

The Sale Agreement with C.E.J. complies with the requirements of Paragraph II of the Decision and Order. Paragraph II.A. requires that Respondents divest the C.E.J. Divestiture Assets, absolutely and in good faith. C.E.J. will acquire the C.E.J. Divestiture Assets pursuant to Section 1.1 of the Sale Agreement. As required under the Consent Agreement, the C.E.J. Divestiture Assets are presently among the assets being operated separately from SCI's other operations under the management of Ron Collins, the independent Manager, and under the supervision of Bill Rowe, the Independent Monitor.

* * *

As demonstrated above and in the accompanying Sale Agreement, SCI has entered into an agreement relating to the divestiture of the C.E.J. Divestiture Assets that fully complies with the Decision and Order. Accordingly, the Respondents hereby seek Commission approval of the proposed divestitures pursuant to Paragraph II.A. of the Decision and Order.

II. The Proposed Acquirer Will Be a Strong and Effective Competitor

C.E.J.'s management has extensive experience in operating funeral homes, the Yuma facility is one of a substantial number of funeral homes that the company will be acquiring this year, and C.E.J. has the financial wherewithal to make this acquisition. The acquisition of the C.E.J. Divestiture Assets by C.E.J. will therefore assure that the business remains a strong and effective competitor in Yuma, Arizona.

Background

C.E.J., which is owned by William E. Jaehnig and Edward Jones, was created in June of 2004 to support Universal Casket Company, a firm controlled by Mr. Jones that sells caskets to Costco Wholesale Warehouses for re-sale to their membership. C.E.J. has agreements with privately held funeral homes to provide funeral services to Costco members at discounted rates, and through this proposed divestiture and other transactions, C.E.J. is in the process of purchasing several funeral homes to expand the geographic coverage of its funeral service offering. The company is headquartered in Springboro, Ohio, and its assets include a more than \$1 million dollar investment that can be drawn against at any time. C.E.J. presently has only one full-time employee, but as the company will be purchasing numerous locations in 2007, it expects to hire at least five full-time headquarters employees in addition to the employees at the acquired facilities.

Messrs. Jaehnig and Jones each have significant relevant industry experience. As set forth in detail below, Mr. Jaehnig has been in the funeral industry for more than 18 years, having worked as a funeral director/embalmer, as a location manager (for the Loewen Group), and as a regional manager (for Carriage Services).

While Chairman of the Board and an owner of C.E.J., Mr. Jones continues to serve as President and controlling shareholder of Universal Casket Company. Mr. Jones' has

more than 35 years of experience in the caskets business, having worked since childhood in the family business, Universal Casket Company, and as a result has extensive contacts in the funeral industry.

C.E.J. and Universal Casket have neither competitive assets nor agreements with privately held funeral homes in the relevant geographic market. C.E.J. does have several pending transactions to acquire funeral homes, but none are within Arizona, and the closest funeral home with which it has an agreement is located more than 200 miles away in Prescott Valley, Arizona.

Financial Capability

C.E.J. will fund the purchase of the C.E.J. Divestiture Assets either through an investment by a C.E.J. investor or through an existing line of credit, whichever is most beneficial to C.E.J. at closing. C.E.J. has reviewed the physical condition of Yuma Mortuary & Crematory and confirmed that the facility is in excellent shape. As a result, C.E.J. does not believe that any capital investments are needed at this time.

Operations Experience

William Jaehnig, President of C.E.J., has extensive funeral home operations experience. He has worked for both privately owned and publicly traded companies, and most recently as a regional manager for Carriage Services, where he oversaw the day-to-day operations of 19 funeral homes and six cemeteries. The Carriage facilities for which Mr. Jaehnig was responsible operated efficiently and very profitably, with an EBITDA of 40-45% of revenues, which is very good for the funeral business.

Mr. Jaehnig also has experience with the acquisition of funeral homes. While with the Loewen Group, Mr. Jaehnig was a member of one of Loewen's acquisition teams. He

was responsible for conducting background research on competition in areas served by potential acquisition targets. Mr. Jaehnig believes that all of the acquisitions that he recommended while at Loewen were completed and the facilities were successfully operated by Loewen.

Neither Mr. Jaehnig nor Mr. Jones has previously been involved in a transaction with SCI. Although Carriage Services has purchased several facilities from SCI, those acquisitions occurred prior to Mr. Jaehnig joining Carriage. Both Mr. Jaehnig and Mr. Jones have always worked well with regulators, and each is well known and well regarded within the funeral industry.

C.E.J. plans to retain the present location manager at the divestiture facility and expects to enter into discussions with him in the near future. C.E.J. is always looking for new ways to ensure family satisfaction as well as personalized service to ensure positive recommendations from the families it serves, and this will continue after the acquisition of Yuma Mortuary & Crematory, which C.E.J. expects to continue to operate as a full-service funeral home. Mr. Jaehnig has always kept the facilities he has supervised on the cutting edge by constantly improving customer services, and he expects to continue to look for new ways to attract families to C.E.J.'s locations and the other locations affiliated with Universal Caskets. In this regard, Universal Caskets was the first company to offer caskets directly to the public through a national retailer, enabling consumers to purchase caskets at greatly reduced prices compared to that charged by most funeral homes. C.E.J. expects to offer funeral services through funeral homes in their affiliated network, and it is the company's continued goal to find ways to lower costs, increase competition, and make the experience as easy as possible for the families they serve. Thus, C.E.J. will not only ensure the continued competitiveness of the C.E.J. Divestiture Assets, it will make them more competitive.

III. The Proposed Divestiture Agreement Will Achieve the Purposes of the Decision and Order and Result in No Harm to Competition

The proposed divestiture of the C.E.J. Divestiture Assets, as embodied in the Sale Agreement, will achieve the purposes of the Decision and Order. C.E.J.'s management has significant industry experience and a proven track record of successfully operating and improving funeral homes. C.E.J. enjoys a strong financial position that will enable it to complete this acquisition, continue the operation of the C.E.J. Divestiture Assets, and enhance their competitiveness in the market for funeral services. Combining the C.E.J. Divestiture Assets with C.E.J. management's experience and the company's financial wherewithal will ensure that the objectives of the Commission's Decision and Order will be realized.

The proposed divestiture will result in no harm to competition. There is no overlap between the operations of C.E.J. and the C.E.J. Divestiture Assets. C.E.J. and the funeral homes with which it has agreements do not currently compete in the market, as defined in the Commission's Complaint, in which the C.E.J. Divestiture Assets operate. Consequently, the proposed divestiture does not raise any competitive issue.

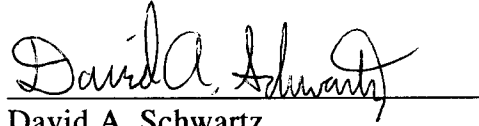
In sum, the proposed divestiture will remedy any anticompetitive effects that could result from the Acquisition. The Sale Agreement will achieve the Commission's stated purposes of ensuring the continued use of the C.E.J. Divestiture Assets in the same business in which they were engaged at the time of the announcement of the proposed Acquisition and remedying the lessening of competition as alleged in the Commission's Complaint.

Conclusion

For the foregoing reasons, the Respondents respectfully request that the Commission approve the proposed divestiture of the C.E.J. Divestiture Assets to C.E.J., as

embodied in the Sale Agreement, as soon as practicable after expiration of the public comment period.

Respectfully submitted,

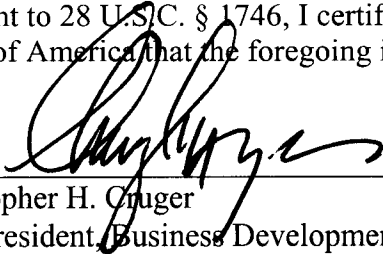
A handwritten signature in cursive script, reading "David A. Schwartz", is written over a horizontal line.

David A. Schwartz
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Counsel for Respondents
Dated: February 15, 2007

CERTIFICATION OF SERVICE CORPORATION INTERNATIONAL

The facts and information related in the foregoing Petition, insofar as they pertain to Service Corporation International, its subsidiaries, and its assets, are, to the best of my knowledge, true, correct, and complete.

Pursuant to 28 U.S.C. § 1746, I certify under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

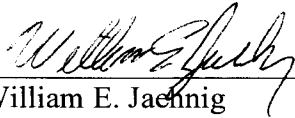


Christopher H. Gruger
Vice President, Business Development
Service Corporation International

CERTIFICATION OF C.E.J. MANAGEMENT, INC.

The facts and information related in the foregoing Petition, insofar as they pertain to C.E.J. Management, Inc., their subsidiaries and affiliates, and their respective assets, are, to the best of my knowledge, true, correct, and complete.

Pursuant to 28 U.S.C. § 1746, I certify under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.



William E. Jaehnig

President

C.E.J. Management, Inc.

EXHIBIT A

[REDACTED FROM THE PUBLIC RECORD VERSION]